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DEPT FOR OES AND EAP
USTR FOR DBROOKS
USAID FOR ANE, EGAT
BANGKOK FOR RDMA
USFS FOR CMACKIE
TREASURY FOR KBERG

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TAGS: SENV EAID KGHG ECON PGOV ID
SUBJECT: Indonesia: Improving Transparency in Timber Administration

REF: JAKARTA 951

¶1. Summary: Indonesia is taking another significant step to improve
transparency in the forestry sector by requiring the
labeling/bar-coding of logs. This online timber tracking system
will be phased in gradually. The Government of Indonesia (GOI) is
targeting nation-wide implementation by the end of 2009 but
achieving this will be a technical and logistical challenge. End
Summary.

Log Labeling System

¶2. The Indonesian Ministry of Forestry (MOF) launched a new online
forest product management and forest fee system in February 2009.
The labeling or bar-coding of logs is part of this new timber
administration system. According to Director of Forest Fee and
Product Distribution Bambang Murdiono, the MOF has been developing
the system for 2 years, with the support of PT. Sucofindo (a timber
surveyor/certifier and quality assurance provider), the European
Union's Forest Law Enforcement, Governance and Trade (FLEGT) Support
Project and The Nature Conservancy's USAID-funded Responsible Asia
Forestry and Trade (RAFT) program (see para 5).

Phase-in Period

¶3. According to Bambang, the system has been implemented in some
areas, including East Kalimantan and Central Kalimantan, and the MOF
is targeting nationwide implementation by the end of 2009. As a
first step, the system will be mandatory for forest concessions
producing 60,000 cubic meters or more of logs per year (Minister of
Forestry Regulation No. 8/2009). The new system increases the cost
of production by 3,000 Rupiah ($0.30) per cubic meter but it will
benefit the concession including increasing market trust and selling
price. With this system, the MOF can more easily control and verify
logs from the stump to the processing unit.

Challenges to Implementation

¶4. However, the system faces some challenges. Bambang cautions
that the new system's implementation might be slowed down due to
inadequate or nonexistent infrastructure (e.g. cell phone network
coverage) and lack of human resources (trained system operators).
He notes that not all areas, especially forested ones, have good
network signal strength. The system needs access to the network to
upload data from the label or barcode.

USG Support for New System

¶5. From June 15-19, 2009, the MOF, FLEGT and USAID's Responsible

Asia Forestry and Trade (RAFT) program held a second training workshop for the online timber administration system in West Kalimantan. Around 24 government officials and 15 forest management unit participants from Kalimantan and Sumatra attended the training. The new online tracking system support RAFT's key objectives of increased regional timber trade from legal sources by providing transparency and efficiency in the administration of legal timber products.

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